Truths and Mysteries in Farm Figures

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This is the fourth of a series of articles by Mr. Ulm on farm life and farm management.

STUDIES made by farm economists in the United States Department of Agriculture indicate that the best earnings from the mere ownership of farm lands often, if not usually, come from the poorer instead of the good farms and are highest in what are rated as poor farm communities. This doesn't mean that a person purchasing agricultural lands for mere investment purpose should buy poor land in poor communities. It may mean that such a course is preferable, however, if direct rent return is the prime or sole consideration.

"Why do earnings in the form of rent from poor farms represent a higher return on the value of the property than those from good farms?" one of the department's chief land economists was asked.

"We don't know," he replied. "Many factors may enter into the cause but we hesitate about naming any of them. In fact, we are asking outside statisticians to help us find the answer."

The facts seem to be, as an illustration, somewhat as follows: If a landlord in, say, a first-class farming section of Iowa gets in rental as much as 3 per cent on the value of his farm property he does well. The rate of average rental return to such a landlord is more likely to be nearer 2 than 3 per cent. In New England the landlord is likely to receive more than 5 per cent on his investment. Yet farm lands in New England increase in value very little, as compared with farms of the Middle West. That very fact may be the reason—though the land economists are not ready to say so—for the higher rental earnings in the poor as against the fine farming regions. The big land investment earnings coming to the landlord in Iowa have consisted heretofore very largely of increase in the selling value of his property. Investigators estimate that farm lands sold in Iowa during the "land boom" of last year and the year before brought sales prices that represented, to the sellers, gains from increased selling value totaling the huge sum of $193,255,373. It is worth while noting that the largest proportion of those gains went to actual farmers, rather than to urban dwellers who were non-resident owners of farm lands. The investigators estimate that rural dwellers received a total of $102,425,348 in increased values from sales that are estimated as amounting to only 8.9 per cent of the farms in the state.

How far the American farmer as a landowner has been more of a speculator in land than a profit-maker from what the land actually produced is a difficult question. It is probable, however, that most farm fortunes go back more to increased values in land than to accumulations from mere cultivation of the soil.

The questions involved are quite important, for they affect the city person as much as the rural dweller. The higher the value of farm land, the higher the capital investment on which the farmer must earn a fair return, and thus the higher the prices at which he must sell his product.

For the farm operator can't safely measure his earnings by the difference between money or labor expended during the year and the cash received from the sale of his crops. In addition to earnings from his labor and that of his family and from his management of hired labor, he must earn on the capital represented by his plant. Otherwise capital won't go into farming, and there would be no material incentive for farmers becoming owners instead of tenants.

In fact, if we omit increment on land due to increase in its selling value—by no means a certain factor—a fair case could be made out in favor of tenancy against ownership. The figures actually show that the average tenant gets a higher return from his labor than does the average land-owning farm operator. That is one of the numerous oddities disclosed by farm economics, and shows that a good deal of moaning about the dangers from tenancy has been due to sentiment rather than sound thinking.

It is an economic fact, say the economists, that a certain amount of farm tenancy in our agricultural life is not only necessary but healthy. Where healthfulness ends and the contrary begins, no economist has been able to say. The line probably varies.

It is significant that every decennial census shows the greatest growth of tenancy in those sections where other returns show agriculture to be most progressive and prosperous. Increase in land values and increase in tenancy seem to be almost invariably concurrent phenomena.

Likewise the farm mortgage up to some unknown point is a sign of agricultural progress; beyond that point it is an unhealthy symptom. For the mortgage may mean better farm implements, a larger cultivated area and more progressive policies generally. No one knows just when the mortgage ceases to be a help and becomes an evil. But so long as it is incurred for constructive purpose, that is, for expansion in operations as against a means of living, it is nearer a good than a bad sign.

No farm beginner should be afraid of the tenancy and mortgage bugaboos. If there were no lands to be rented, there would be no chance for the farm beginner without capital. If there were no mortgages, expansion would often be slow. Fundamentally it is no more disgraceful for a farmer to mortgage his land than for a manufacturer to bond his factory. And viewed in some lights, it is often more economic to be a tenant than an owner.

"This bulletin contains ample evidence that the young farmer who has relatively little capital will find it to his best interests to become a tenant on a farm of considerable magnitude rather than to undertake the same type of farming on a much smaller farm which his capital will enable him to own," says Dr. W. J. Spillman in a document issued by the Department of Agriculture. The bulletin gives figures on the earnings of many farmers under varying conditions and shows that the tenant often makes more, especially on his labor, than the owner.

The department has made many studies of farm profits and farm earnings, and many of the figures produced could be made to show that farming, as a money-earning business, is a mighty poor calling.

Top—Farming, generally speaking, must be at least a family affair. In many respects it is also a community affair, and through the development of co-operative ideas it is becoming more so. This photograph shows families of farmers near Wilkesbarre, Pa., planting onions co-operatively. Center—A field of irrigated potatoes. Rubber-boot farming, as this kind is sometimes called, is the way to get big production. Bottom—What city man hasn't thought of starting a "poultry farm." Some get away with it, but no kind of specialized farming, say the experts, is to be recommended to beginners.

The profits, measured in dollars, have never averaged big, not even for the fat war years when prices of farm products were exceptionally high. While prices paid for farm products are quite uniform, that is, all farmers must sell at approximately the same prices, studies show that the cost of producing any particular product in any single year has wide variation as between communities and different farmers in the same communities.

In the studies of 842 records of cotton growing in several parts of the South, the department found that the net cost of producing a pound of cotton in 1918 varied from eight cents to $1.07 a pound. The average was 23 cents, which wasn't far below the average paid for the same cotton which was about 29 cents a pound. But almost as much cost more than cost less than 23 cents a pound to produce, the bulk of it, however, being produced at a cost of 28 cents or less. In Laurens County, Georgia, the production cost varied from 10 to 40 cents a pound and there were like variations in other countries where studies were made. The hours of man labor required for producing an acre of cotton varied from 91 to 131 in Marshall County, Alabama, and from 88 to 187 in Greene County, Georgia.

Cost studies made on 481 wheat farms with reference to the winter wheat crop of 1919 showed that production costs varied from $1 to $5 a bushel. The average was $2.15, which wasn't very far from what the farmers received for wheat at that time. And about as much cost more than less that amount.

But those figures don't tell the story of farm profits or losses—nor, it may be said, do any figures, for it is a subject that in the last analysis defies statistics.

The economists arrive at profits by deducting all expenses of the farm from the total income during a crop period. The total received by farmers for crops varies, chiefly in accordance with the extent of the farmers' operations, as do the expenses incurred in producing the crops. But after finding the net income, the balance left, if any, after all debts contracted for the production of the crop are cleared up, is divided between return on capital and labor income. For every operating farmer must have some capital investment, in live stock or implements, even though he owns no land. After the division is made, the final balance shows what the farmer has made from his own labor. Deductions are made usually for labor contributions by members of his family. It is probable that a true balance will show that the average farmer nets for an average year's work less than $500. In fact, the Department of Agriculture found more districts where his net labor income averaged under than where it averaged above $500. But that doesn't tell the melancholy story that might be drawn from the figures. For, as he goes along, the average farmer gets approximately two-thirds of his rent, food and fuel from the farm. These have, on the average, a farm value, for the districts that have been studied, of $500 to $600. And their city value, of course, would be much more. In addition, members of his family have been able to do earning work on the farm, which in the city they probably could not have done. And then, of course, there is the return, never estimated on a high percentage basis, from whatever capital investment he has in stock, implements or land.

There is some question whether there is such a thing as bankruptcy in farming as there is in general business, particularly small farming.

It is certain that "bad conditions" don't overload the bankruptcy courts with the financial troubles of farmers in anything like the volume that comes, in such times, from the industrial or commercial world.

You hear frequently of farmers as a class or sections of them being "bankrupt." But the word is used in a metaphorical rather than its business or legal sense; for if agriculture went truly bankrupt famine would probably result.

The average farmer is always able to get along somehow and without being greatly deprived of the necessaries of life because he has first call on a great many of the necessaries.

No studies have been made, so far as the writer could learn, of the well-being, as measured by possessions that give security to life and assurance against misfortune, between the run of city and country people.

While there is a greater display of some forms of wealth in cities and apparently a much larger proportion of city than of country people who are in position to procure the finer luxuries of life, the farms very probably present a higher average of material human well-being than do the cities.

I asked several agricultural investigators regarding that. Those asked agree with the statement made.

While the average farmer's net earnings at the end of the year are small, still they really are net earnings. Usually his so-called labor income means that he is at least that much further toward a competency than he was at the beginning of the year; for the larger part of his living expenses don't have to be deducted. The city man of course handles more real money but it is a question whether in the long run he accumulates a greater reserve against the well-known rainy day.

There is a good deal of misunderstanding also about the farmers' hours of toil as compared with the city man's. Undoubtedly the successful farmer works long hours and in bad seasons works under more uncomfortable conditions than do his city brethren.

The Department of Agriculture is now making some investigations that are expected to yield the truth regarding the "long hours" worked by farmers. They are having representative farmers in different sections keep daily diaries of their movements. Of course the actual time spent in working varies with the kind of farming, but those who have given thought to the subject estimate that the average American farmer puts in about 200 full working days a year. That is below the average for city people, but the days are longer and the work more arduous in the farmers' case. Besides, there is a measure of work, such as looking after his live stock and milking the cows, which the farmer must do every day, Sundays included.

"Living conditions in the country are not what they were a generation ago," says Secretary Meredith. "A lot of our notions about farm drudgery and hard living and isolation are ideas carried over from an earlier period when there were no electric lights, no bathtubs, no rural free delivery, no good roads to speak of, and when an automobile on the farm was as rare as an airplane today."